

# **Exhibit 3**

IN THE UNITED STATES DISTRICT COURT  
FOR THE WESTERN DISTRICT OF TEXAS

In Re EZCORP, Inc. Master File No.  
Securities Litigation 1:15-cv-00608-SS

~~~~~

VIDEO DEPOSITION OF  
CHAD WILLIAM COFFMAN

March 6, 2018

9:43 a.m.

353 North Clark Street  
Chicago, Illinois

Deanna Amore, CSR, RPR, 084-003999

APPEARANCES OF COUNSEL

On Behalf of the Lead Plaintiff, JOHN ROONEY:

LEVITON & BLOCK  
MR. JEFFREY C. BLOCK  
MR. JACOB A. WALKER  
155 Federal Street  
Suite 400  
Boston, Massachusetts 02110  
(617) 398-5600  
jeff@blockesq.com  
jake@blockesq.com

On Behalf of the Defendant, EZCORP, INC.:

VINSON & ELKINS  
MR. STEPHEN S. GILSTRAP  
2001 Ross Avenue  
Suite 3700  
Dallas, Texas 75201  
(214) 220-7700  
sgilstrap@velaw.com

- and -

VINSON & ELKINS  
MS. JENNIFER B. POPPE  
2801 Via Fortuna  
Suite 100  
Austin, Texas 78746-7568  
(512) 542-8411  
jpoppe@velaw.com

ALSO PRESENT:

Daniel Froman, Videographer

\* \* \* \* \*

I N D E X

WITNESS

EXAMINATION

CHAD WILLIAM COFFMAN

EXAMINATION BY MR. GILSTRAP 6

EXHIBITS

| NUMBER | DESCRIPTION | PAGE |
|--------|-------------|------|
|--------|-------------|------|

|            |                                                 |   |
|------------|-------------------------------------------------|---|
| Exhibit 14 | 1.31.2018 Expert Report<br>of Chad Coffman, CFA | 8 |
|------------|-------------------------------------------------|---|

|            |                                           |    |
|------------|-------------------------------------------|----|
| Exhibit 15 | Event Study Regression<br>Analysis Output | 70 |
|------------|-------------------------------------------|----|

|            |                                                              |    |
|------------|--------------------------------------------------------------|----|
| Exhibit 16 | 5.12.2015 Morningstar<br>Document Research - Form<br>NT 10-Q | 78 |
|------------|--------------------------------------------------------------|----|

1 sometimes they do their own analyses of nonpublic  
2 information and provide information to the market  
3 that way. So, yes, I think they are an important  
4 source of information, but they are not just a  
5 conduit of information, of spreading information.

6 Q. Right.

7 And I believe you just talked about  
8 companies issuing information in press releases and  
9 that sort of thing. That's a way that information  
10 gets to the market; is that correct?

11 A. That's one way it can get to the market,  
12 yes.

13 Q. Is another way SEC filings?

14 A. Yes.

15 MR. GILSTRAP: I'm at a good stopping point, if  
16 you want to take, like, a ten-minute break and  
17 start back at maybe about 11:00.

18 THE VIDEOGRAPHER: We are going off the record  
19 at 10:49 a.m., and this is the end of Media Set 1.

20 (A short break was taken.)

21 THE VIDEOGRAPHER: We are back on the record at  
22 11:04 a.m. This is Media Set 2.

23 BY MR. GILSTRAP:

24 Q. Mr. Coffman, we were speaking earlier,  
25 before the break, we talked about how one of your

1 is the regression analysis that you conduct; is  
2 that correct?

3 A. Well, the regression analysis gives you  
4 the expected return based on looking at  
5 historical -- the historical relationship between  
6 the market indices and the stock at issue, and so  
7 that regression analysis, one of the outputs of  
8 that regression analysis is an expected return on a  
9 particular day. So then there is the actual  
10 return, which is just observed, and the abnormal  
11 return is just the comparison between those two  
12 things.

13 Q. And you spoke about the kind of control  
14 indices, and what were the control indices used in  
15 your regression model in this case?

16 A. The return on the S&P 500 total return  
17 index and the return on the peer index we were  
18 discussing earlier, the daily change -- the  
19 percentage change in value of those indices.

20 Q. And am I correct that if a stock price  
21 return on a specific date is above a certain  
22 threshold, that we can get into in a minute, the  
23 t-score, that you can state with a certain level of  
24 confidence that that abnormal return is explained  
25 by something other than randomness?

1           A.     Yes.    I guess the way I would say it is  
2     the purpose of the statistical test is to  
3     identify -- so you go into each day with a null  
4     hypothesis, and the null hypothesis is the stock  
5     price wasn't -- the stock price was not impacted by  
6     information on that day.

7                   And then the test statistic allows you to  
8     evaluate whether you can reject that null  
9     hypothesis and say that the stock price moved in  
10    such a way that just purely random chance did not  
11    cause that with a certain degree of confidence.

12                  So with 95 percent confidence, you can  
13    reject the null hypothesis.   That's the threshold  
14    we're talking about.

15           Q.     And did you use the 95 percent threshold  
16    for purposes in this report?

17           A.     For purposes of this test, I identified  
18    significance through the 95 percent confidence  
19    level, yes.

20           Q.     And in your experience, is that the  
21    generally accepted confidence level required?

22           A.     It's not the only level.   I mean, there  
23    are certainly academic studies that draw inferences  
24    based on the 90 percent level of confidence, and in  
25    the past I've made note of results that are

1 significant at the 90 percent level of confidence.  
2 I would say the 95 percent confidence level is  
3 what's most often looked at both in this context  
4 and in the literature, but it's certainly not the  
5 only threshold that's ever relied upon.

6 Q. And what does a t-statistic or a t-score  
7 need to be in order to show an abnormal return  
8 that's explained by something other than randomness  
9 at the 95 percent confidence level?

10 A. Well, in a very large sample size, that  
11 statistic is about 1.96, which means that the  
12 abnormal return is more than 1.96 standard  
13 deviations away from zero.

14 In a less than very large sample size,  
15 that threshold can move a little bit from 1.96.  
16 You know, it might be -- and the sample sizes we're  
17 talking about here, it might be more like 1.97 or  
18 1.98.

19 What you do is you take that t-statistic  
20 and turn it into what's called a p-value based  
21 on -- and that takes into account the sample size  
22 you're looking at, and so, ultimately, you're  
23 actually judging on that p-value. So if the  
24 p-value is less than 5 percent, then you deem  
25 something as statistically significant at the



1 95 percent level.

2 But the 1.96 threshold is a -- sort of a  
3 marker that's often discussed because that's the --  
4 sort of for the very large sample sizes, what the  
5 threshold is, but the threshold for a smaller  
6 sample size is actually slightly different than  
7 that. And we take into account the sample size in  
8 calculating the p-values to actually determine  
9 whether something is significant or not.

10 Q. When you say "very large sample size," do  
11 you know how many samples roughly are needed for  
12 that 1.96 threshold, generally speaking?

13 A. Well, I don't recall exactly how many data  
14 points you need to get, you know, to where it  
15 rounds to 1.96. It's one of those things where  
16 it's true in the limit to infinity, but it  
17 approaches 1.96 pretty quickly, I believe, after a  
18 couple hundred observations. But, like I said, the  
19 statistics we calculate and the p-values we  
20 calculate explicitly take into account the sample  
21 size we're using.

22 Q. Sure.

23 And so if a specific sample is associated  
24 with a t-statistic that, let's say, is three, is it  
25 fair to say that that would be a statistically

1 significant sample?

2 A. I don't think of -- I don't like the way  
3 your question is worded just because it's -- you  
4 don't determine that the sample is statistically  
5 significant.

6 Q. Sorry. I guess I should have said data  
7 point.

8 A. Yeah, I mean, essentially, I think what  
9 you're asking me -- and tell me if you're asking  
10 something different -- is when you observe a  
11 t-statistic of three for a particular stock price  
12 return, is that typically statistically  
13 significant?

14 And I think in reasonably sized samples,  
15 that's true. I mean, you might imagine very small  
16 sample sizes where that might not be true.

17 But, certainly, in my event study where  
18 I'm looking at the previous 120 days, when I'm  
19 looking at each day and whether it's statistically  
20 significant or not, if I observe a t-statistic of  
21 three, that easily meets the 95 percent threshold  
22 and would be statistically significant.

23 Q. And in your regression analysis, if you  
24 observed a t-statistic of one, then the stock price  
25 movement on that day would not be statistically

1 significant?

2 A. Certainly not at the 95 percent level,  
3 that's correct.

4 Q. And I'm correct that t-statistics are both  
5 positive and negative. So, for example, if there  
6 was a stock price drop, for a day to be  
7 statistically significant, it would need to be more  
8 negative than 1.96; is that correct?

9 A. Or somewhere right around that area, yes.

10 Q. I'd like to direct your attention to  
11 footnote 46, which is on page 22. It's the  
12 footnote we were looking at earlier.

13 A. Okay.

14 Q. And it talks about, toward the end of that  
15 footnote, certain days being removed from the  
16 estimation period. Do you see where I am?

17 A. Yes.

18 Q. What does that mean?

19 A. Sure.

20 So the reason that's done or why that's  
21 done is when you're testing the null hypothesis  
22 that the stock price was not impacted by any news  
23 and, therefore, didn't move as a result of news,  
24 what you ultimately want to evaluate is what is the  
25 variability of the stock under conditions where

1     there is no news because that's the null hypothesis  
2     you are trying to reject against.

3             And so if there are days during the  
4     estimation window where there is obvious  
5     firm-specific news that obviously moved the stock  
6     price or at least could have moved the stock price,  
7     then including those days as if they didn't have  
8     news and bias attached, because you are introducing  
9     volatility that was clearly induced by news into  
10    the control, and ideally, you'd like to have an  
11    estimate of what the variability of the stock price  
12    is in the absence of news.

13            And so if there are days that are  
14    essentially outliers where their returns are  
15    sufficiently large, that by including them in the  
16    estimation, you are really biasing against the test  
17    you are trying to perform, then it makes sense to  
18    exclude them.

19            Q.    And footnote 46 notes the dates that you  
20    excluded from your analysis?

21            A.    Correct.

22            And you know, there is -- you can always  
23    argue that there is potentially more dates that  
24    should have been excluded with news on other dates,  
25    but by leaving the rest of the dates in that might

1 have had at least some news, it's actually biasing  
2 against our particular test.

3 So these were just two very large returns  
4 on obvious dates that were outliers that to make  
5 the test less biased, I excluded them.

6 Q. Mr. Coffman, I am handing to you what's  
7 going to be marked as Exhibit 15, which is a very  
8 big spreadsheet that was provided in the backup  
9 materials by plaintiffs' counsel.

10 (Whereupon, Exhibit 15 was  
11 marked for identification.)

12 BY MR. GILSTRAP:

13 Q. Please take a second to glance through and  
14 let me know when you're ready.

15 A. Okay.

16 Q. And have you seen Exhibit 15 before?

17 A. If it's what I believe it appears to be,  
18 I have. It's likely the output of the event study  
19 regression I ran in this case, but in order to  
20 verify that, I'd want to double-check against some  
21 of the numbers in the report. But I believe that's  
22 probably what this is.

23 Q. Well, to the extent you need to check to  
24 make your -- I'll represent to you it was what was  
25 provided by your counsel, but, please, take the

1 time you need to check and make sure the numbers  
2 match to your satisfaction.

3 A. Yes, this appears to be the output of the  
4 event study I ran.

5 Q. Okay. And just broadly speaking, we are  
6 going to go through some of the columns so I can  
7 understand, but when you say it shows the output of  
8 your regression for the event study, broadly  
9 speaking, what does that mean?

10 A. Sure.

11 Well, it also includes, I think, many of  
12 the input variables. So I think the easiest way to  
13 describe it would be to just go through the first  
14 line and explain what each number means.

15 Q. Sure. That would be great.

16 A. Column A just shows the trading date.

17 Column B shows the return for EZCORP on  
18 that day when comparing against the prior day. So  
19 for that column it's minus 0.058. So that means  
20 there was a 5.8 percent decline in the stock price  
21 on that day.

22 Column C is the return on one of the  
23 control variables. That's the S&P 500. So that  
24 would suggest the S&P 500 was up six tenths of  
25 1 percent that day.

1 Column D shows the return of the equally  
2 weighted index, the peer index that we discussed  
3 earlier. So that would imply that on this day, the  
4 peer index was down, it looks like,  
5 eight one-hundredths of 1 percent.

6 Then E, F, G, H, I and J are all the  
7 regression coefficients and the t-statistics for  
8 those regression coefficients. So I don't know if  
9 you want me to get into the detail of what all of  
10 those things mean, but each line item here  
11 represents there is a separate regression.

12 So the regression in what we're talking  
13 about on line 2, this reflects the regression  
14 coefficients from looking at the 120 prior trading  
15 days, and based on that, running that regression,  
16 Columns E through J describe some -- the  
17 coefficients from that regression equation and the  
18 statistical test of whether those factors were  
19 statistically significant or not.

20 Q. Okay.

21 A. Column K is the root mean squared error or  
22 what I talk about in the report of the standard  
23 deviation of errors. So that's -- when you see in  
24 the first line that the RMSE is 0.016, that means  
25 that the standard deviation of the abnormal returns

1 is 1.6 percent. So another way to think about what  
2 that means is you would need roughly 1.9, six times  
3 that of a price movement for it to be statistically  
4 significant. Okay?

5 L is another output statistic from the  
6 regression. That's the adjusted R-squared of the  
7 regression. It measures the goodness of fit or how  
8 much of the variation in the EZCORP returns can be  
9 explained by the control indices.

10 Column M identifies the number of  
11 observations that went into the estimation. So as  
12 I described in the report, I exclude earnings  
13 announcements, and those two other dates we just  
14 talked about so that's why it can be slightly less  
15 than 120.

16 N reflects what we talked about before as  
17 the expected return. So based on the regression  
18 I ran and the coefficient in Column E through J as  
19 well as the observed returns of the S&P 500 and the  
20 peer index, this is what the model says, absent any  
21 new firm-specific information, we would expect the  
22 stock price to move in that fashion.

23 So, here, the expected return is 0.0033.  
24 This is saying the model would have expected,  
25 absent any news, the stock price to increase by



1 33 basis points or 33 one-hundredths of a percent.

2 O is the abnormal return that we talked  
3 about. So that's just the difference between the  
4 observed return in Column B and the expected return  
5 in Column N.

6 P, Column P is the abnormal dollar  
7 movement. So that just takes the abnormal return  
8 and converts it into dollars and cents. So this  
9 would imply that the stock price declined by  
10 61 cents in a way that was different than what the  
11 model predicted.

12 And then Column Q is the t-statistic for  
13 the abnormal return. So that's the t-statistics  
14 that we look at for determining whether or not --  
15 that's the number of standard deviations the actual  
16 return was away from the predicted return. So you  
17 get to that by taking the abnormal return divided  
18 by Column K, the root mean squared error.

19 And then Column R is the statistical  
20 value -- what's the p-value, which is translating  
21 the abnormal return -- I'm sorry -- the t-statistic  
22 into a probability figure based on the number of  
23 data points they are using to determine -- you can  
24 think of the p-value as essentially the probability  
25 you would observe an abnormal return as far from

1 zero as you are by random chance alone. So if that  
2 value is less than 0.05 implies that there is a  
3 less than a 5 percent chance. So that would be  
4 statistically significant.

5 And then Column S just is an indicator of  
6 the level of statistical significance. So  
7 I believe if there is three characters there,  
8 that's significant at the 99 percent level. If  
9 there is two characters there, it's significant at  
10 the 95 but not the 99 percent level, and if there  
11 is one character, it is significant at the  
12 90 percent level but not the 95 percent level.

13 Q. Thank you for going through that.

14 And looking at Column S, that you just  
15 spoke about, the significant -- statistical  
16 significance column, when you talk about  
17 characters, there are some dates that have, you  
18 know, one minus, two minus and three minuses, and  
19 am I correct that that just means that there is a  
20 negative price movement at those various confidence  
21 intervals, 90 percent, 95 percent and 99 percent?

22 A. Yes, that's correct.

23 Q. And same for the plus marks. If there is  
24 one plus mark, then that means that day's return is  
25 statistically significant at the 90 percent

1 confidence level. If there are two plus marks, at  
2 the 95 percent, and if there are three plus marks,  
3 at the 99 percent?

4 A. That's correct, yes.

5 Q. And if there is nothing in Column S  
6 associated with a particular day, that means that  
7 the return on that day was not statistically  
8 significant in your model?

9 A. That's correct.

10 Q. And so just taking the first date that we  
11 were looking at, Column Q, which shows the  
12 t-statistic is negative 3.849, which is more  
13 negative than the 1.96 t-statistic number we spoke  
14 about earlier. So based on that t-score, we would  
15 anticipate that there would be at least some minus  
16 marks in Column S given that it's more negative  
17 than that 1.96 number?

18 A. That's correct.

19 Again, to be precise, you translate it  
20 through the p-value, but generally speaking, that's  
21 correct, yes.

22 Q. And I believe earlier you said for the  
23 p-value for a date to be statistically significant,  
24 you would -- the p-value would be less than  
25 5 percent; is that correct?

1           A.     To be significant at the 95 percent  
2 confidence level, the p-value would have to be less  
3 than 0.05.

4           Q.     And what would the p-value have to be to  
5 be statistically significant at the 99 percent  
6 level?

7           A.     Less than 0.01.

8           Q.     And am I correct that if it's less than  
9 0.1, that it would be statistically significant at  
10 the 90 percent level?

11          A.     That's correct, yes.

12          Q.     My stats teacher would be proud.

13                 Turning back to Exhibit 14, so the report,  
14 page 62, which is Appendix A. Let me know when  
15 you're there and you've had a chance to review.

16          A.     Okay.

17          Q.     So am I correct Appendix A lists the  
18 documents that you considered in drafting the  
19 report that's Exhibit 14?

20          A.     Yes.

21                 Some of the line items are summaries of  
22 information, not a detailed list of every single  
23 document, but, yes, Appendix A is meant to reflect  
24 the material I considered in preparing the report.

25          Q.     And in looking through Appendix A, as you

1 sit here today, are there any documents not  
2 included in Appendix A that you have reviewed and  
3 should have been included and may have been  
4 inadvertently left off?

5 A. Not that I'm aware of, no.

6 (Whereupon, Exhibit 16 was  
7 marked for identification.)

8 BY MR. GILSTRAP:

9 Q. Mr. Coffman, I'm going to hand you what's  
10 being marked as Exhibit 16.

11 Let me know when you've had a chance to  
12 review.

13 A. Okay.

14 Q. In putting together your report,  
15 Exhibit 14, did you -- do you recall reviewing  
16 Exhibit 16?

17 A. I don't recall reviewing this specific  
18 document. Whether or not it was part of the  
19 material I considered, it would be easy to  
20 ascertain, but I don't specifically recall this  
21 document as something I considered.

22 Q. Let me back up.

23 What is Exhibit 16?

24 A. It appears to be an SEC filing,  
25 Form NT 10-Q, filed by EZCORP on May 12, 2015. At

1 least that's what it purports to be.

2 Q. And as we talked about earlier, would this  
3 type of SEC filing be something that potentially  
4 made information available, publicly available to  
5 the marketplace?

6 A. That's plausible, yes.

7 MR. GILSTRAP: I think we're coming down the  
8 home stretch. I think probably take a short  
9 five-minute break and then we can wrap up pretty  
10 quickly before lunch, if that works with everybody.

11 THE VIDEOGRAPHER: We are going off the record  
12 at 11:47 a.m.

13 (A short break was taken.)

14 THE VIDEOGRAPHER: We are back on the record at  
15 11:52 a.m.

16 MR. GILSTRAP: Mr. Coffman, thank you for your  
17 testimony today.

18 Defendant EZCORP has no further questions.  
19 We'll pass the witness.

20 MR. BLOCK: We have no questions either. Thank  
21 you.

22 THE VIDEOGRAPHER: This marks the end of Media  
23 Set 2 and the end of this deposition at 11:53 a.m.

24

25

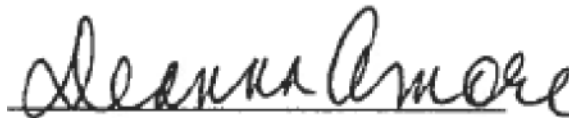
C E R T I F I C A T E

I, DEANNA AMORE, a Shorthand Reporter and  
notary public, within and for the State of  
Illinois, County of DuPage, do hereby certify:

That CHAD WILLIAM COFFMAN, the witness  
whose examination is hereinbefore set forth, was  
first duly sworn by me and that this transcript of  
said testimony is a true record of the testimony  
given by said witness.

I further certify that I am not related to  
any of the parties to this action by blood or  
marriage, and that I am in no way interested in the  
outcome of this matter.

IN WITNESS WHEREOF, I have hereunto set my  
hand this 9th day of March 2018.



Deanna M. Amore, CSR, RPR

Veritext Legal Solutions

Veritext Firm Registration No. 571

300 Throckmorton Street, Suite 1600

Fort Worth, Texas 76102

IN THE UNITED STATES DISTRICT COURT  
FOR THE WESTERN DISTRICT OF TEXAS

In Re EZCORP, Inc. Master File No.  
Securities Litigation 1:15-cv-00608-SS

DECLARATION UNDER PENALTY OF PERJURY

I declare under penalty of perjury that I have read the entire transcript of my deposition taken in the above-captioned matter or the same has been read to me and the same is true and accurate, save and except for changes and/or corrections, if any, as indicated by me on the DEPOSITION ERRATA SHEET hereof, with the understanding that I offer these changes as if still under oath.

Signed on the \_\_\_\_\_ day of

\_\_\_\_\_, 2018.

CHAD WILLIAM COFFMAN